

**Minutes of Meeting**  
**Health Services Council**  
**Project Review Committee-I**

**DATE: 18 April 2006**

**TIME: 3:00 PM**

**LOCATION: Health Policy Forum**

**ATTENDANCE:**

**Committee I: Present: Victoria Almeida, Esq, (Vice Chair), Edward F. Almon, John W. Flynn, Richard Lepine, Robert J. Quigley, DC, (Chair), Robert Ricci, Robert Whiteside**

**Not Present: Joseph V. Centofanti, MD, Robert S.L. Kinder, MD, John Young**

**Excused Absence: Robert L. Bernstein, John Keimig**

**Staff: Valentina D. Adamova, Michael K. Dexter, Andrea Therrien (Intern)**

**Public: (Attached)**

**1. Call to Order, Approval of Minutes, Conflict of Interest Forms and**

## **Time Extension for the Minutes Availability**

**The meeting was called to order at 3:05 PM. The minutes of the 7 and 21 March and 4 April 2006 Project Review Committee-I meetings were approved as submitted. The Chairman noted that conflict of interest forms are available to any member who may have a conflict. The Chairman requested a motion for the extension of time for the availability of minutes pursuant to the Open Meetings Act. A motion was made, seconded and passed by seven in favor and none opposed (7-0) that the availability of the minutes for this meeting be extended beyond the time frame provided for under the Open Meetings Act. Those members voting in favor were: Almeida, Almon, Flynn, Lepine, Quigley, Ricci, Whiteside.**

## **2. General Order of Business**

**The first item on the agenda was the application of Radius 1275 Operating, LLC for change in effective control of Waterview Villa at 1275 South Broadway in East Providence.**

**Staff noted that the applicant provided responses questions and communication from the Department of Public Health in Massachusetts confirmed that the applicant's facilities were in substantial compliance with only minor deficiencies.**

**The Chairman asked the applicant to review responses to the questions. Mr. Flynn asked if the realty company would be acquiring the building of the nursing home. Mr. Goulet, legal counsel for the applicant, replied that it would. A discussion ensued about the reasons why the realty company was not the applicant.**

**To the question about the \$1 million equity contribution from the investing entity into the real estate entity rather than the operating entity, Mr. Goulet stated that companies are more interested in investing in real estate and are less comfortable in investing in operations because operations are more likely to have problems. Mr. Goulet stated that the applicant has met the 20% equity requirement via the \$1 million equity in the real estate and additional amount is in the operations.**

**With regards to the current structure of the operations and real estate of the nursing home, Mr. Goulet responded that the current owner has a partnership that owns the real estate, and that there are people who have an equity interest in the partnership but not in the corporation that runs the operations. The current owners have 100% interest in the corporation that runs the operations and the proposed owners would have 100% interest in the operations.**

**The applicant addressed the issues of licensing and accountability. It was noted that the members of the applicant have owned or managed other facilities since 1997. It was noted the owners of the operating**

**company are also owners of the real estate company.**

**Staff asked if the operating company was cosigning the debt of the realty company. It was asked if the applicant considered this as representing commitment on the graces that they are making themselves responsible as an operating company. The applicant responded yes to both questions. Mr. Goulet explained that the companies consist of the same members. He noted that not only does the lease provide a linkage between the two companies, but the financing document does as well. The Chairman requested that the applicant provide a statement that clarifies the linkage between the two companies.**

**Mr. Lepine expressed concern over the fact that the majority of the equity of the project has no real liability to the operating expenses of the business. The applicant stated that failure to perform would hurt the applicant's business and they would not let that happen. The applicant stated that they thought that the project is well capitalized. Discussion ensued regarding whether there is a potential that the real estate may be sold off. The applicant noted that the nursing home operations significantly contribute to the value of the property.**

**Mr. Tim Sullivan, a CPA from Sullivan Company, stated that about 50% of the nursing homes in Rhode Island use the same method and it is done for liability purposes. He noted that while legally the two companies are separate, they are connected financially.**

The Chairman was concerned whether the amount of equity in operations is enough of a commitment. He stated that he would be more comfortable if the linkage between the two companies was clarified. Mr. Goulet replied that when equity is provided, it is given to the seller. The cash from operations or from the line of credit is the money available to run the facility. The seller is getting \$1,250,000 cash that is not coming from debt. The Chairman requested that the applicant prepare a document that summarizes all equity contribution related to this proposal. He noted that the Committee is interested in protecting the nursing home residents.

There was discussion between the applicant and the committee about the dangers of having restrictive financial barriers to new groups entering into healthcare facility ownership in Rhode Island. It was noted that if the policy is limited to financial standards, then it is possible that the only groups who gain entry may have a great deal of financial resources but nothing else. It was noted that the committee should take qualitative standards into consideration as well. Staff reviewed the criteria for determining changes in effective control.

A motion was made, seconded and passed by a vote of seven in favor, none opposed and one recused (7-0) to recommend that the change order request be approved contingent upon the receipt of additional information. Those members voting in favor of the motion were: Almeida, Almon, Flynn, Lepine, Quigley, Ricci, Whiteside.

**There being no further business the meeting was adjourned at 4:30 PM.**

**Respectfully submitted,**

**Valentina D. Adamova**